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N INDEPENDENT SOCIALIST MAGAZINE

VOL. 46
8

THE FUTURE OF CAPITALISM
Basil "Buzz" Hargrove

CHINA AT THE BRINK—PART II
Robert Weil

CHAMBERLAIN: COLLUSION, NOT APPEASEMENT
Christopher Hitchens

CHURCHILL: MYTH AND IMPERIALIST HISTORY

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NOTES FROM THE EDITORS

Toward the end of his life, Engels wrote: "It is a peculiarity of the bourgeoisie, distinguishing it from all former ruling classes, that there is a turning point in its development after which every increase in its means of power, that is in the first place every increase in its capital, only tends to make it more and more incapable of ruling politically." Whatever may have been the validity of this statement a hundred years ago (Engels died in 1895), there can be no doubt that it applies with uncanny accuracy to the world of the late twentieth century.

Society is made up of parts that work together, sometimes more and sometimes less successfully, to produce its livelihood and reproduce itself. The master insight of Marxism is that during that period of human history that has been recorded (some four millennia) the decisive parts have been classes, one dominant and exploitative, the other dominated and productive. For most of this period both parts have been necessary: the brains above, the brawn below. They have also been in continuous conflict over the division of their joint product. The vision of Marxism has been that with increases in human knowledge and growth in the productivity of human labor, the necessity for this split in society tends to disappear. Brains and brawn tend to come together in the far more numerous productive class. From being a struggle over the division of a joint product, the conflict between the classes becomes increasingly concerned about what will be produced and for what ends. Making these decisions is surely what Engels had in mind when he spoke of "ruling politically."

(Continued on inside back cover)

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THE FUTURE OF CAPITALISM: DOES CAPITALISM REPRESENT THE BEST HUMANITY CAN EVER HOPE TO ACHIEVE?

by BASIL "BUZZ" HARGROVE

A few years ago, someone referred to the period we're living in as "the end of history." What he meant was that there had been fundamental changes in economic and social systems in the past, but this would no longer be the case. The collapse of communism signalled that capitalism would now be here forever—some tinkering here and there of course, but no fundamental change.

At one level, it's hard to see why such a statement should be news. After all, most people in our society had *already* taken this point for granted. I don't recall, before this "discovery," a lot of editorials or TV debates about the possibility of capitalism being changed to another kind of system. The irony is that when this writer announced the *end* of the debate on capitalism, he actually ended up putting the *question* of capitalism on the agenda!

It's a question that is, in fact, rarely asked. A question that, given your own ambitions, you may never pursue. But a question which, for reasons that will take up most of my talk,

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won't go away. What I'd like to do, over the next twenty minutes or so, is make some observations relevant to the issue, observations which, I hope, you will continue to think about after you leave the classroom.

Let me start with a brief summary of what capitalism is. I don't want to oversimplify, but to highlight two features which distinguish capitalism as a system, and are key to understanding how it functions.

First, some people own the means of production, the factories and offices, the tools and equipment, the financial capital for investment, while others (workers) sell their labor power to these owners. In selling their labor power, working people are really selling their own potential, handing it over to someone else. This is the basis for what is meant when we say that capitalism is inherently structured as a class society: some have power over the use and potential of others.

Second, the owners themselves compete with each other over who gets what share of the overall profits produced. When these owners push for profits, it's not just that they "like" to make more or that they are greedy and materialistic (though many often are!) but that the pressures of competition force them to behave aggressively if they want to remain capitalists. This interaction of class and competitiveness created not just an economic system, but a *social* system: what happens in this kind of economy tends to dominate every aspect of our lives.

This system has been around for only two centuries of the estimated 3 million years since humans first came on the scene (on the time scale that's comparable to this two-hour class relative to all the classes you will ever attend since kindergarten . . .).

Although its emergence was incredibly painful in human terms, and although the benefits have been very unevenly spread and new social problems created, the *material* achievements of this relatively new system were in fact incredibly impressive. No other period of human history can come

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close to matching its technological progress and its acceleration of the provision of goods and services.

The issue today isn't to deny any of this but to go beyond it: Are there limits to capitalism continuing on as it is? Is this the best humanity can ever achieve? Have the achievements of capitalism themselves laid the groundwork for moving on to a society based neither on class nor the drive to compete?

In addressing *these* issues, let me turn now to the following half dozen assertions for you to consider:

1) For a good number of people, the system, capitalism, is no longer "delivering the goods."

2) The responses put forth by the economic and political elite of our country will make this worse, not better.

3) The internationalization of competition is undermining global economic stability and leading to a sustained crisis of jobs and economic waste.

4) The financial system is failing in its role of channeling savings into productive use, undermining needed investments, and aggravating economic instability.

5) An economic system based on valuing only what is profitable cannot deal with the growing environmental crisis.

6) The increasing power of capital over our lives (i.e., the lives of those of us those not sharing in that power) means a corresponding growth in the democratic deficit in each country.

Is the System Working?

It's clear that capitalism remains dynamic in terms of its ability to change and restructure the global economy, including our own economy. It's equally clear that there are some who are benefiting from this. But would anyone, and especially young people looking to what they will do in coming years, deny that the system is also failing to address the needs and hopes of a substantial share of its citizens?

Individual companies may be more productive, but the system is wasting more human potential than ever before. The

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worst unemployment rates of the first thirty years after the war were actually *lower* than the *best* unemployment rates in the last decade! Excess overtime for some, no work for others. Pressures to work faster for some, forced part-time work for others.

We have more education than ever before, but less opportunities. More technology and national wealth, but our lives are less secure. We no longer expect, never mind assume, that our kids will have it better than we did.

Single mothers on welfare are threatened with cutbacks, while the financial pages proudly announce a few more millionaires. Inequality is not being reduced but is growing. An environmental crisis is looming but we're too busy with daily survival to worry about the consequences for our health or the survival of the planet. Name any need, any goal, any value, and you'll hear we can't address it because of its impact on competitiveness.

It's not just Canada I'm talking about. Unemployment within the advanced capitalist countries is a staggering 38 million—that's equivalent to a country three times the size of Canada having its entire labor force unemployed. Even those most optimistic about a recovery warn that it might be "fragile" (since who knows how international financiers are going to respond?) and that it's likely to be "jobless" (who defines these kinds of changes as a "recovery"?). And internationally, capitalism's victory over communism was supposed to usher in a new era of global stability and advance. Some stability and advance:

—Hundreds of thousands of children dying from lack of medicine as a result of the Gulf War;

—A world standing helplessly by as the hard-to-grasp scale of the suffering in Bosnia and Rwanda continues without end;

—The dangerous rise of national chauvinism and the re-emergence, especially in Europe, of fascist and neo-Nazi movements.

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The "new world order" is full of disorder. And worst of all, so many people feel they no longer have any control over their lives, no longer feel like there's a handle on where things are going. Those who reduce all of this to a single focus on "the deficit" are simply telling us how out of touch they are. We are in a social crisis and the real deficit is not so much in budgets but in jobs, equality, justice, democracy, and—especially amongst those who think that things are fine or that the system only needs a tune-up—a revealing lack of vision.

What About the Establishment's Solutions?

In the months before the crash that ushered in the Great Depression, the *Financial Post* declared that a survey of the leading brokers and investment bankers "failed to reveal any person who is pronouncedly pessimistic as to the future." When the crash came, the quite universal advice from the business community was to slash budgets and cut wages—policies that guaranteed that the Depression would grow worse. While business likes to dress itself in the garb of the future as it puts forth the "only" solutions and direction possible, it sounds very much like it did back in the 1930s—or even earlier.

But even laying that aside, there is a more direct way to evaluate the answers coming from the business community. After all, the corporations have pretty much had their way—whoever was in government—for some time now. How does their record measure up? Remember the promise that the U.S.-Canada Free Trade Agreement of 1992 would raise our living standards, strengthen our social programs, leave us more secure? Has this come to pass? Did deregulation of airlines and trucking leave us better off?

What about wrestling inflation to the ground—remember when that was the key to getting everything on track? Did increasing the inequality of the tax system create jobs? Will making parents poorer reduce child poverty? Business constantly points to the United States, mouths watering at the

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"more favorable environment" in the home of free enterprise. Fine for them. For us, the question is a little different: is U.S. society a model for the kind of society we aspire to?

They ask us to be "realistic." Well, the reality is that we have lived through a period in which the elite has had the increasing power to enforce their agenda and they have failed miserably. Like all elites, they present their self-interest as the national interest. What the record shows—exposes is more apt—is that their agenda is more about reinforcing their wealth and power than solving our problems. As time goes on, the *declining credibility of their answers* will, as it eventually did in the 1930s, raise questions about the credibility, formerly unquestioned, of their power over our lives.

The Race Downward: Who Will Buy the Goods?

In the face of increased global competition, companies and all levels of government have faced increased pressures to reduce those costs that don't support competitiveness. This has meant restraint or cutbacks in the wages and social programs of Canadians. But this means a lowering of purchasing power. Who will buy the goods and services we're increasingly able to provide?

The glib answer is "Don't worry. Canadians may not buy the goods but there's a whole world out there. We'll export and the exports will provide jobs and everything will be wonderful." Nice answer. But what if every country is facing the same pressures and reacting the same way?

We're back to "who will buy the goods" and the answer starts getting a little murky. Recessions sink deeper and last longer; expected upturns seem less certain and sustainable. Individual companies and even particular countries may end up much more productive than ever before, but not so the overall efficiency of the global economic system, saddled as it is with the waste of factories and machines sitting idle, tens of millions in the developed world denied a chance to use and develop their skills, and—amidst the growing potential for

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abundance around us—a Third World suffering the worst kind of poverty and lost potential.

For a time, the United States had the unilateral power to allow it to play the role of an "international government," creating a measure of global stability. But that era (never ideal anyway) is gone. And with it the assumption, held by many in the 1950s and 1960s, that the waste of capitalist cycles and unemployment was behind us, that technical adjustments to the system would smooth things out. Does anyone still really believe that the system is capable of self-regulation, self-regulation that doesn't exact an enormous price?

The Financial Community: Who Serves and Who Rules?

The point of money and finance in a capitalist system is to grease the wheels, to facilitate the movement of savings and credit so that the world of production and services can do its thing. Again, does anyone consider this an accurate description of the role of finance today? Isn't it closer to the truth to point out that its finance has been deregulated, but rather than making the system work better, this has exposed its irrationality?

There is plenty of money around, but instead of being channeled to useful needs, it's going into mergers, speculation, private fortunes, or leaving the country to do who knows what with our savings and the tax breaks we've conceded.

Seven of every eight dollars that crosses international borders is now linked to speculation rather than facilitating economic activity. Since the mid-1970s, real interest rates, what we allegedly pay financiers for taking "risks," have steadily increased but net investment, what they contribute to the economy, has steadily fallen. Interesting isn't it: when workers face a high risk of unemployment the policy prescription is, as we see today, to *cut* unemployment insurance and welfare payments; but when investors face a real (or imagined?) risk, we *increase* their welfare. . . . Surely this speaks to something terribly amiss about how we carry out our affairs.

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Nothing infuriates me more than to hear obscenely overpaid bankers lecture working people about the need to work harder, be more productive, make more concessions so they, the financiers, cannot only continue to enjoy their privileges but, through their actions, actually *sabotage*, rather than support, our ability to carry on and improve our lives. The financial elite are not serving Canada's needs (I include here the needs of important sections of business itself). And it's threatening to get worse. How much longer will we accept this? When will this issue be placed front and center on the national agenda?

Maximizing Profits, Devaluing the Environment

I must say that, although I care about the environment and treasure Canada's physical beauty, like many others I have not yet fully accepted the importance of the environment as a priority in my daily life. What keeps drawing it to my attention is partly the stubborn determination of young people in our society to make it an issue, partly a growing activism within my own union by a similarly stubborn and committed group of local activists, and partly the growing evidence from even establishment scientists and researchers that our air, our lakes, and our health are greatly at risk. Someone, a Mexican writer, said "capitalism knows the price of everything but the value of nothing."

I think we have to ask ourselves a fundamental question about the environment (which, in fact, is hardly limited to the environment): Can a system whose very being is to maximize profit and which, in its single-minded devotion to this objective pushes everything else aside or demands that it conform with this single goal, can such a system leave room for the kind of sensitivity to the environment which is necessary to defend public health and ultimately maintain the survival of the planet?

Some will argue that it's not just business that stands in the way, that workers and unions have not always been consis-

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tent defenders of the environment. Some of such criticism is valid, and some is not. I'd be very happy to compare the position of labor and business on environmental issues in the workplace and in society.

But this misses the point that capitalism, as a system, undermines concern for the environment. It's not just the rush for profits by particular individuals and corporations, but the creation of a set of values that stress "more" at the expense of *better and fairer*, that undermine the value of *collective* goods and needs like the environment, and that maintain the kind of insecurity that leaves some people so desperate for jobs—any jobs—that environmental concerns become an "unaffordable luxury." If capitalism undermines the future of our environment, something we cannot do without, then what does that imply about the future of capitalism?

Capitalism and Democracy: A Growing Contradiction?

The greatest deficit in our country, the one growing the fastest, the one that will cost future generations the most, the one undermining the confidence not of financiers but of ordinary people, is the deficit in democracy, the deficit in our collective ability to shape our society and its vision so that it can truly address our needs.

How come, if we can produce so much more than ever before, we don't generally feel more liberated from material needs? Why are so many of us feeling less in control than ever before in all dimensions of our lives? Why should we accept the "new reality" that elections are meaningless because governments should or must follow the logic of the market? What kind of democracy tells us there is no alternative but to structure our lives and our society around the fear of losing our "competitiveness"?

Capitalism defines freedom in terms of market freedoms, freedoms based on the power that capitalists have in the marketplace. But those "freedoms" increasingly stand in the way of a different kind of freedom, a freedom based on

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the ability of everybody to develop their potential and all dimensions of their lives. When the two clash, we have to make a choice.

Look around you. Do you see a healthy society? Do you see a society that supports bringing out the best in people, all people not just the few? Do you believe that more of the same will do anything but reinforce the rat race and meanness so increasingly prevalent in our society? Does this kind of society strike you as the ultimate in human possibilities?

I happen to believe that something else, something better, is possible. I can't offer anyone any blueprints or guarantees, but when I hear "there's no alternative," I can only think of this as "no alternative but to search for that something better." And, unless young people pick up this challenge—and that's what real democracy and real change is, a challenge—nothing will in fact be possible.

Philosophical expositions which cannot be grasped by every educated person do not, in our opinion, deserve the printer's ink expended on them. What has been clearly thought out can also be said clearly and without circumlocution. The philosophical evils which disfigure the writings of the erudite seem to aim more at concealing thoughts than at revealing them.—Friedrich Engels, *Dialectics of Nature*, p. 335.

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CHINA AT THE BRINK: CLASS CONTRADICTIONS OF "MARKET SOCIALISM"—PART II

by ROBERT WEIL

Many Must Get Poor Second

Of all the ideological pronouncements by Deng Xiaoping in advocating "market socialism," the idea that "some must get rich before others" has met with the most unqualified success. The "new wealth" enjoyed by many leading party and state functionaries, military officers, public enterprise managers, and especially business people, both private entrepreneurs and those in semi-privatized ventures, is increasingly apparent. Many of these people can be found in the top hotels and the Pierre Cardin stores, flaunting their cellular phones and beepers, fancy western-style clothes, and air of self-important indulgence so reminiscent of the Chinese elite of the Guomindang period. It is they who can afford to join the new Jingnan Yongle golf facility in Beijing with dues of $12,000, and the Country Horse Racing Club, where memberships in

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Robert Weil is a long-time activist in the civil rights, peace, labor, environmental, and solidarity movements, and is currently teaching sociology and related fields at the college level. He taught at Jilin University of Technology in Changchun, Jilin Province, in northeast China, in the fall and winter of 1993. Part I of this article appeared in the December 1994 issue.

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1993 cost 80,000 yuan, or almost $14,000, with an advertisement bragging that 200 had already been sold to foreigners, and another 300 to "Chinese managers and senior officials in joint ventures" (*China Daily Business Weekly*, 24-30 October 1993, p. 8).

It is these people too, together with overseas Chinese and multinational corporations, who are buying into luxury apartment buildings like the French-designed Sunshine Plaza in the capital, advertised as "The Most Splendid Contribution of China for Centuries," and the suburban Beijing Dragon Villas, in "pure American-Canadian style" with broad lawns, starting from "only" $360,000. Some have even begun buying plots in Florida. The measures of this new wealth are found in smaller things also, like private phones, installation of which "will cost roughly a year's salary for an ordinary Chinese worker," yet with the demand already in the hundreds of thousands (*China Daily Business Weekly*, 19-25 September 1993, p. 8). Others can spend the equivalent of thousands of dollars on imported liquors, or buy the single little abalone-stuffed mooncakes sold for the 1993 Lunar Festival at the Lufthansa Shopping Center in Beijing for 1,000 yuan each, a city where the average resident earned just 197 yuan or $34 a month in 1992.

It is these class elements as well, no doubt, who were the purchasers of the limited-edition jewel-encrusted gold watches issued for the hundredth anniversary of the birth of Mao Zedong on December 26, 1993. The most valuable were those with seals offered by the daughter and son-in-law of Mao, costing as much as $19,388 each, and coming with $17,000 life and $20,000 property insurance policies. Mao would no doubt be flattered that even the nouveaux riches of China find his memory so valuable. But such timepieces are indeed the perfect hedge in more ways than one, in these days of growing uncertainty in China, sure to rise in value if marketization continues, but "politically correct" if things once again take a leftist turn.

Those able to take advantage of the opportunities to "get rich" under the reforms are by no means limited to top

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officials and business persons, however. A sizeable number of people in all strata of the society are in a position to obtain new levels of wealth which set them dramatically apart from their Chinese counterparts. On Hainan Island, for example, a young farmer developed the tourist trade, earning in the first year 100,000 yuan, equal to $17,241, "an astronomical figure for the local people, whose annual income often fails to exceed 200 yuan [$34]" (*China Daily Business Weekly*, 19-25 September 1993, p. 5). Scientists, university professors, and even students sometimes "strike it rich." One doctoral post-graduate sold an invention in the chemical field for 2 million yuan, or $340,000, while a 1993 auction of research ideas brought eighteen scientists an average of 100,000 yuan each. It is this kind of "sudden" wealth which stands out in such stark contrast to the older socialist system with its relative egalitarianism.

But those who announced the "some must get rich first" policy failed to add the inevitable corollary: "many must get poor second." A recent trip through China, beginning in the northeast and ending in the south, provided a visual "misery index" of the impoverishment which is inseparable from marketization. In Changchun, Beijing, and west to Xian, one still sees little visual sign that the conditions of social security which have marked the socialist system up until this time have broken down. Even in the western central province of Sichuan, there was no obvious evidence of the dislocations that might be expected, given the large numbers of poor peasants who are migrating from this region to the south and east. But when one gets to booming Shanghai on the eastern seaboard, the change begins, appropriately enough on the Bund, the old imperialist center on the riverfront with its European-style buildings, where panhandling children appear, though they are not very aggressive. South to Guilin, a major tourist area, and the begging becomes more insistent, but still limited and without the sense of complete desperation. In Guangzhou, however, there can be no mistaking that the homeless peasant-worker families camped out around the

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railroad station and the children grabbing leftovers off tables in restaurants nearby are in a state of desperate poverty, malnutrition, illness, and total degradation. Their ranks, made up mostly of migrants from Sichuan and elsewhere, are swelling in rough proportion to the degree of "new wealth" being generated in this center of foreign investment and reform.

There are now some 200,000 children estimated to be on the streets of Chinese cities, and as one newspaper article put it, "child homelessness, which is on the up and up, is stretching government welfare resources" (*China Daily*, 28 March 1994, p. 2). In Shanghai, more than 3,000 child vagrants were picked up in 1992. Even in the north such conditions are spreading. In Jiamusi City, in Heilongjiang Province, there are an estimated 3,000 vagrants. Some 600 children among them were rounded up and sent back home between 1989 and 1991, but an equivalent number quickly reappeared on the streets, and by the end of 1992, there were 40 percent more homeless youths under fourteen than the year before. There have been partially successful efforts during the last year to control the flow of peasants into Guangdong as well. But the entire system of market-oriented production in that province is built largely on migrants. There are now an estimated 8 to 10 million transient workers there, the majority of them women. There are also some 500,000 child laborers, many of them helping to work the new sweatshops (*New York Times*, 10 April 1994, p. 3). Thus the problem in Guangdong cannot be so easily solved by limiting internal immigration, or by the municipal roundups used elsewhere. This is a major reason why homelessness and begging are more in evidence in the south than in other parts of the country.

The development of such Third World phenomena is a dire change for China. Central to the policies developed by Mao in the earlier revolutionary period had been a determination to avoid just this kind of mass movement of peasants into the cities and the growth of an urban underclass of impoverished semi-migratory workers, unemployed, slum

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dwellers, and homeless. The scale of Chinese society makes the rise of such dislocations especially drastic. The government of China itself estimates that there are at least 100 million "excess" peasants in the countryside, and 30 to 50 million or so more already on the move looking for work, 80 percent of them young people. This is a mass of peasant labor at economic loose ends approximately equal to the number of all nonagricultural workers in the Chinese economy today. It is also equivalent to the entire workforce of the United States, or the total populations of France and England combined. And this figure for floating labor in China is expected to climb as high as 250 million by the end of the century. Added to these worker-peasants drawn from the rural areas are the growing numbers of urban unemployed, whose ranks, while still relatively small at 4-5 million or so, are also increasing rapidly as enterprises "rationalize" their workforce. In 1993, the unemployment rate was 2.6 percent, and 900,000 persons registered for jobless relief, compared to just 350,000 in 1992, and 100,000 more than the previous six years combined. Of the 5 million unemployed expected by the end of 1994, only 1.8 million will be receiving benefits. Despite efforts to create labor exchanges and to restrict hiring of low-wage rural migrants instead of those fired from urban jobs, the ranks of the latter are certain to grow rapidly.

Thus the birth of the "new rich" is being accompanied on a vastly greater scale by the generation of a newer type of poor, who have no place to fit in except as a reserve army of labor. The more visual manifestations of such contradictions, however, only begin to convey the depths of division beginning to open up in Chinese society. Marketization has begun to devour the very groups in whose name it was initiated and among whom it was first implemented. In the rural areas, in the early years of reform, incomes on average rose, and the historic gap between country and city began to be reduced somewhat. By the mid-1980s, however, marketization began to spread to the urban centers as well. As reforms were introduced in the major industries, including in particular

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more freedom in pricing, inflationary pressures grew, opening a "price scissors" between rural and urban areas.

In the last five years, costs of agricultural production materials have risen twice as rapidly as grain prices. Typical of this development, the governor of Henan Province estimates that whereas 50 kilograms of corn could be exchanged for 37 kilograms of urea in 1984, by 1992 the equivalent in fertilizer was only 19 kilograms, a loss of one-half in farm market value. Thus despite greater productivity, peasant incomes are actually falling in many places. The effects of these contradictions are uneven, however, increasing the polarization among the peasantry itself. In 1985, the gap between the annual rural per capita output value of central and east China was just 452 yuan or $52, compared with a 1,858 yuan or $214 difference by 1993.

At the same time, illegal fees, charges, fines, demands for "contributions," and even outright extortion and labor duties reminiscent of feudal landlord times have been levied on farmers, often amounting to 10 percent or more of their income, at least double the funds they are supposed to owe public bodies. When the government in 1993 belatedly moved to reduce such extra levies, it was estimated that the saving to peasants was more than 10 billion yuan, or $1.7 billion, but this only indicates how much they had already lost. Even more drastic has been the widespread practice of paying peasants in IOU's, which were not always redeemed promptly or at their equivalent value, due to inflation. As a result of such policies and of the price spread, the nationwide average income in the countryside went up 3.4 percent in 1993, to 921 yuan or $106, while urban residents saw a gain of 10.2 percent, to 2,337 yuan or $269. The ratio of per capita income between the rural and urban population, which fell from 1:2.4 to 1:1.7 between 1979 and 1984, has risen to 1:2.7 today, or slightly higher than pre-reform levels.

The "reforms" have more than economic effects, however. The medical cooperative system, begun in the 1950s and greatly expanded by "barefoot doctors" during the Cultural Revolution in the 1960s-1970s, has been largely shattered.

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Funding has evaporated, first through the shift to the individual household responsibility system and destruction of the communal structure, resulting in a breakdown of the local revenue base, second as a result of the favoring of urban residents over peasants, leading to a drop in the proportion of the national health care budget received by the rural medical service from 21 percent in 1978 to 10 percent in 1991. Today only 5 percent of villages nationwide are able to afford funding of the cooperative medical system, leading to a drastic exodus of doctors either to private practice or to more urbanized centers. Thus, "as a result of the disintegration of the cooperative system, the peasants are suffering," and even "once-rich farmers have become impoverished when they have to pay by themselves for an operation or medical treatment" (*China Daily*, 3 May 1994, p. 4).

What is especially significant about these developments is that the peasantry as a whole has begun to suffer as a class, regardless of their individual wealth, and that the farming regions are being increasingly stripped of income to pay for the high-flying profiteering and rising consumption levels in the cities, and to make up for the township revenues lost when communal structures were dissolved. Especially ominous is the disintegration of much of the agricultural technology support system, which like everything else has been semi-privatized and cannot compete with more lucrative ventures. However, in an economy which must feed more than one-fifth of the population of the globe, and where three-quarters of the people are still farmers, such developments can have extremely dire consequences.

Cutbacks in cultivated land and in the purchase of costly fertilizers and pesticides, production only of what is needed for their own survival or the intentional withholding of grain from markets, and the abandonment of farming for more lucrative trades or immigration to the cities have all increased. Thus there has been a rapid fall in cultivated acreage, compounded by the generally unplanned and wasteful conversion of farmland to other uses. In Guangdong, most notably, there

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has been a reduction in cropland of 450,000 hectares since 1990, and the rate is accelerating. Grain output there declined 3.4 percent and 9.9 percent, respectively, in 1992 and 1993, the latter year showing the greatest loss since 1955. The Ministry of Agriculture states that production of cereals and cotton has fallen in most southern provinces, where the seacoast rice harvest fell by 10 million tons last year, a three-month supply for regional cities. Some former grain-exporting provinces now have to import grains.

Throughout China, almost 750,000 hectares of farmland were lost in the last two years, and land planted in all the main crops was reduced by over 4.4 million hectares from 1992 to 1993. With estimates that China is already 20 million hectares short of the amount needed to feed its swelling population, even relatively small additional losses of farmland are a very serious matter. In addition, peasant per capita investment in agriculture actually decreased in real terms over the last four years, and as a result acreage under cultivation suffers further losses, as declining infrastructure maintenance means more environmental damage. In 1978, of the one-third of arable land affected by unfavorable weather, 42 percent reported severe losses, while by 1992 this had risen to 50 percent. Though a feared drop in overall grain production last year did not occur, the land versus population squeeze is rapidly becoming more dire.

Another result of the growing contradictions in the countryside has been a sudden rise in food prices, which in the main urban areas soared by more than 25 percent in early 1993 compared to a year earlier, while grain was up by 40 percent, and such staples as fresh vegetables had more than doubled. Typically, when urban state-supported vegetable shops lost their subsidies under the reforms, many of them turned to other businesses, and they now control only 10-15 percent of the market, the rest dominated by private owners. As a result vegetables, whose retail prices used to be only 10-20 percent above wholesale levels, were being sold on the streets in the spring of 1994 for double their cost to retailers. Such

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inflation contributes, at the same time, to a rapidly growing gap between urban rich and poor. Shanghai is typical, where despite a gradually rising level of average wealth, the spread between the income of the lowest 10 percent of the population and those at the top increased 66 percent just between 1992 and 1993. The middle class is being especially hard hit, with 30 to 40 percent of those surveyed in large cities stating that they were finding it increasingly difficult to maintain a decent standard of living.

Here again, the main losers have been those that the government had earlier favored, most notably professionals and workers in state institutions and enterprises on fixed incomes, which have been virtually frozen in a highly inflationary economy. Large numbers of academics, for example, have been forced to moonlight at all kinds of activities, often unrelated to their normal work, just to make ends meet. Many neglect their university duties to serve as advisors to enterprises, or even to go into business for themselves. Others have moved south, where in joint ventures they can rapidly increase their income, but often at the cost of leaving their earlier professional fields, or even their families, behind. Across the country, a bidding war has broken out, with rapidly developing areas offering lures such as high salaries, extra housing, and even cars to attract needed professionals. This "brain drain" has had serious consequences in many poor or outlying regions, those which can least afford the loss of their skilled personnel.

College students now often complain of missing teachers and the neglect of academic institutions, which like all others must increasingly find their own means of support, a haphazard process in which the business skills of administrators may count for more than the quality of research or teaching in the schools they head. In a striking parallel to what is happening in the countryside, many teachers in primary and high schools began to be paid in IOU's during 1992, with the defaults reaching 1.43 billion yuan or $250 million nationwide as of May 1993, and 309 million yuan or $36 million owed as late as January 1994. In an example of the new class

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divisions, "a county magistrate in Hubei Province sold his luxurious car at 350,000 yuan [$60,000] to repay the local teachers" (*China Daily,* 1 November 1993, p. 4). At the same time, illegal school fees and levies, even for such basics as exams or heat in buildings, have been charged to meet expenses and pay teacher salaries. During the 1991-1992 school year, an estimated 2.1 percent of primary school students and 5.8 percent of those in junior middle schools dropped out because their families were unable to meet these added costs. Among the dropouts, 70 percent are girls.

These conditions have been compounded by the growing practice of parents pulling their young children out of school to work in their family businesses, a consequence of the corrosive get-rich-quick environment. In one township in Hubei Province, as many as one-third of the students are said to drop out for this reason, and the high school has been virtually abandoned. As a sign of the growing class divisions, a pre-revolution-type polarization is growing in the cities between skinny and plump children, with some 20 percent undernourished or anemic, while 5 to 8 percent are now obese as a result of the increasingly rich foods bought by their rich parents. This widening gap extends even to preschools, which are facing a national "crisis," since "local kindergartens can't keep up with soaring costs and as enterprises try to streamline efficiency, the first things to go are costly preschools and day care centers." Beijing alone lost over 1,500 kindergartens in the last six years, while those of preschool age needing care rose 5.4 percent. With firms turning increasingly to migrants "requesting low pay [!] and no housing subsidies, it is simply inefficient to run an affiliated kindergarten with a small enrollment . . . At the same time, private and foreign-funded preschools are filling up—all for the low [!] price of 10,000 yuan ($1,149)." Some families pay the entire income of one parent to these schools. The attitude which surrounds these changes is expressed by Shi Guhao, director of the Pre-School Education Department for Beijing: "This means that our pre-school education has walked into the

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market economy . . . We should realize that kindergartens are no longer welfare organizations" (quoted in *China Daily*, 12 May 1994, p. 5).

At the other end of the educational establishment, in the universities, a similar set of policies is being implemented to strip students both of their free education and of the job security which until now has been their guaranteed right. Since the mid-1980s, the government has instituted a program of allowing those who scored lower on entry examinations to attend a university anyway by paying a fee, creating a "dual track" for wealthy families and enterprises that could afford these charges. By 1993, 38 percent of the student body in Shanghai colleges paid their own way. The demand for such students as a source of revenue led to a lowering of academic standards and the displacement of those from poor families even if they had higher exam scores. Now this contradictory system is being "resolved" by instituting standard tuition fees for all students, in effect privatizing the costs of university education. At the same time, the present right to look for work outside of the state system is being converted into a requirement to do so, by phasing out government-guaranteed jobs. Starting in the fall of 1994, those entering thirty-seven of the top universities will have to pay a standard tuition of 1,000-1,500 yuan or $115-$175, and they will have to find their own employment after graduation.

Increasingly, the growing competition for jobs is used to discriminate, especially against women. At a professional job-fair in Beijing in early 1994, more than half the positions were "for men only." "Even occupations which are traditionally reserved for women, such as secretaries and teachers, are being taken by men" (*China Daily*, 29 March 1994, p. 3). The problem is growing worse, as "market efficiency" and ties to foreign enterprises maximize the desire for male representatives, with fewer home responsibilities, or for single, young women, more and more chosen for their attractiveness. Now female graduates at the University of International Business and Economics are being told not to compete with men for

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the best-paid positions or for chances to go abroad. "Girls must lower their expectations," said an official with UIBE (*China Daily*, 29 March 1994, p. 3). Women are constantly urged by government officials to support the modernization reforms. But while in such pronouncements they may still be said to hold up "half the sky," a promise of equality which was far from complete even under the old socialist system, in the "new" China they are increasingly excluded from holding even half the jobs or earning half the pay.

These professional women have their proletarian counterparts in the south, especially Guangdong, where the "new" workforce is drawn primarily from women. They are among the most unprotected and unorganized elements of the Chinese labor force, isolated a thousand miles from their homes, in unfamiliar urban settings. Generally uneducated, they commonly lack even the basic knowledge of what few social services and protections are available to them. As young women in a society dominated by old men, they are especially powerless and without social standing. Many end up on the streets, feeding the growing prostitution and pornography trades. A two-month crackdown in Guangdong in 1993 rounded up almost 33,000 prostitutes. The effects of reforms, therefore, are an increasing degree of polarization not only in society as a whole, but within the workforce itself, along lines of region, class, and sex. As a result of these deepening contradictions, the advocates of "market socialism" are likely to face increasing opposition not only from those strata whose interests were from the start injured by their policies, but from within the ranks as well of those who had earlier been favored by marketization.

Macro-Economic Control

Having moved to destroy the main pillars of the socialist system as it has existed in China, and having gone a long way toward recreating the social divisions of the pre-revolutionary period, what the government does mean by socialism today

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seems to be mainly what it calls "macro-economic" guidance and regulation of the emerging market. The idea is that national ministries will still help to direct investment patterns, especially to underfinanced sectors such as infrastructure development, and will work to correct the worst abuses of a free-wheeling market system, but without intervening in the daily management of enterprises, even those which continue to be state-owned. Though individual firms are thus increasingly free from control by central planners, the overall economy is still shaped by public investments and the directing of foreign funds into areas most in need of capital. The nightly TV news is filled with an endless round of conferences and meetings in which the highest state and party leaders discuss with lower level officials and managers the shape and progress of economic plans, often with the promise of more governmental assistance.

Typical of such public funding are plans to invest over 700 billion yuan or $80 billion into 400 transportation projects, to be completed by the turn of the century. Another major program of the government now is to redress the growing gap between the booming southern and coastal provinces and the left-behind northern and interior regions. Such redistribution from more developed regions to those lagging behind includes, for example, a 2.1 billion yuan or $362 million development plan in Tibet for farming and irrigation. Many provinces, and even smaller localities, adopt similar policies, for instance in Fujian Province, where urban centers have been "twinned" with poor rural countries to provide financing and other forms of support. Programs like these also attempt to address such major sectoral imbalances as rural underemployment and falling peasant income, through expanded investment in the upgrading of farmland, reforestation, and so on. Included is a program meant to raise the 80 million poorest peasants out of poverty by the year 2000.

Price controls are also still being exercised to some degree as a form of macro-economic control. For instance, higher base prices were announced in the spring of 1993 for

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grain, cotton, and other major crops, along with lower charges for agricultural inputs. State purchasing agents were also encouraged to release more of their reserves of food stocks and other farm products in order to counterbalance manipulation of prices in the "free" market. But the problem here is that government marketing of agricultural goods has been largely replaced by private traders, and, exemplifying the difficulties of reversing this situation, state purchasing centers had themselves attempted to recoup their loss of market share by holding back supplies in 1993, thus driving prices higher. Though Premier Li Peng condemned such practices, they have become endemic in all sectors of the economy as public agencies are forced to compete with private owners.

Perhaps even more critical is the government attempt to increase and solidify the role of small rural firms, or township enterprises, which are seen as the key to absorbing the massive numbers of peasants underemployed. These businesses are already the most rapidly expanding sector of the economy, with an average growth rate of 50 percent during 1991-1993. By 1992 they generated almost two-thirds of rural income, up from just one-third a decade earlier, and they accounted for about 62 percent of the increase in farmer incomes. Township enterprises already account for 32 percent of national industrial output value, and the goal is to increase their proportion to 50 percent. This is seen as critical to preventing an overwhelming number of "floating" rural poor. Such enterprises now have some 100 million workers, only slightly less than those working in state-owned firms, and the employment goal is another 50 million workers by the year 2000. A drive has even been launched to attract foreign investment into this sector.

But despite their enormous growth, rural firms are increasingly seeing their role challenged by the competition of high-tech urban enterprises tied into global marketing systems. Like the peasants themselves, the small township production centers are finding that early rapid gains made after reforms were introduced are now being lost with the

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deepening economic contradictions of marketization. Despite sweatshop-type exploitation, their ability to compete is limited, as urban-produced goods and foreign imports flood the markets. In a typical example, "publicly owned township enterprises in the south of Jiangsu Province, which have proven a huge success . . . have been increasingly challenged by Sino-foreign joint ventures and exclusively foreign-funded enterprises." As a result, "more enterprises are opting for capital investment rather than taking on new hands" (*China Daily*, 15 November 1993, p. 4, and 12 November 1993, p. 4). Last year, such rural firms hired only 50 percent of the number of workers that would have been taken on under previous practices. Yet even at the projected expansion rates, township enterprises will be able to absorb only one-half the vast increase in "excess" labor which it is estimated will be generated in the countryside this decade. Moreover, regional distribution is already very uneven, with 66 percent of rural firms in the east, 30 percent in the middle of the country, and only 4 percent in the west.

The same pressures faced by township enterprises are increasingly being felt by state-owned companies, which are rapidly losing their predominant status in the economy. Forced to compete in global markets for which they were never organized, and increasingly denied the governmental support on which they had previously depended, many are caught in their own "price scissors" between rising production costs and falling incomes. Raw material and transportation prices have soared, driven by the over heated boom, while the price which can be charged for finished goods remains relatively low. For example, though crude oil has been allowed a big rise in prices, petroleum products have remained more or less frozen, in particular to prevent a further squeeze on the agricultural sector. In addition, much more of the revenues of state-owned firms now goes to the service sector of banks, insurance companies, and advertising agencies than before. With productivity still far below that of the leading industrialized nations, marketization has seen a rapid reduction in

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efficiencies of scale, with the number of industrial enterprises multiplying some eighty times over, from 100,000 to 8 million, during the past decade, but production rising by only three to four times. There are now 120 auto plants, none large enough to meet competitive global standards, though a plan to consolidate them into three giant groupings has been announced.

At the same time, in an attempt to survive under these conditions, many firms have been forced to invest in new technology and equipment, and have fallen heavily into debt. Under these kinds of pressures, it is hardly surprising that at least one-third of state-owned enterprises nationally are running in the red, costing the government some 60 billion yuan or almost $7 billion in 1992 in subsidies, up from just 31 billion yuan or $3.5 billion in 1991. To escape from the budgetary expenses needed to support unprofitable firms, while promoting the efficiency of its enterprises, the state has encouraged foreign investment or takeovers for failing plants. In one typical example, Liaoning Province in 1989 auctioned off thirty-three bankrupt firms to investors from abroad. The other common technique used to salvage unprofitable enterprises is their merger with more profitable domestic businesses, but these officially encouraged acquisitions often merely weaken the previously stronger partner.

Increasingly, therefore, firms are acquiring others simply to obtain their equipment and real estate, without any concern for continued production or the workforce. In 1993, the first hostile takeover even occurred, creating a sensation on the Shanghai stockmarket. Other enterprises are simply allowed to go into bankruptcy, with their assets often sold off at greatly reduced prices, leaving their workers stranded, or with only a small and temporary subsidy. Regardless of the form of acquisition or purchase, the initial act of the new owners is thus likely to be the "rationalization" of the workforce, which is estimated to be 20 to 30 percent "surplus" labor in the average enterprise. But even large-scale firings have not been sufficient to salvage the position of many firms. Under

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these conditions, the share of industrial output of the state-owned sector has fallen from 77 percent in 1978 to just 53 percent in 1992, and the drop is accelerating. As a result, the State Statistics Bureau has warned that government firms are in danger of losing their position as national industrial leaders.

The losses suffered by many state-owned enterprises, especially those producing finished goods, have not, however, restricted merchants from reaping enormous profits from these same products. In February 1994, consumer prices in thirty-five leading cities were 26 percent higher than a year earlier. With retail pricing totally arbitrary and chaotic, some new department stores sell consumer goods for up to ten times their value. The papers are full of complaints by gullible customers taken in by these fancy outlets. As a result of inflationary pressures, the State Statistics Bureau found that the living standard of people in leading cities actually declined as much as 40 percent in 1993, with those on fixed incomes suffering the most severe losses.

In an attempt to control inflationary pressures, which are seen as the greatest threat to social stability, an even more drastic measure has been to put a limit on investment in fixed assets. These grew by 47 percent in 1993, while production increased by only 10 percent. The government contracted the money supply in 1993, but with so much construction already underway, this mainly affected working capital, further squeezing enterprises. Moreover, the new limits on investment were widely ignored or evaded, and the policy was quickly relaxed. As a result, despite a temporary respite, asset expansion has been allowed to continue at a rate driving up inflationary pressures.

Similarly in the case of real estate, the government recently introduced credit controls to limit the money which state agencies were directing into speculative investments instead of more productive purposes. The new policies have succeeded in dampening some of the uncontrolled speculation in this sector of the economy, which was absorbing

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approximately one-quarter of all new investment and was flooding the markets. Beijing alone, for example, has a backlog of some 20,000 unsold luxury housing units. But some regional governments and economic departments are continuing to invest heavily in real estate, even in violation of national policy. Moreover, as leading Hong Kong investors have noted, their activities have been left unaffected, since they are backed by their own banks, not those on the mainland subject to the new regulations. Thus it is primarily the domestic government enterprises which are subjected to control, and as a result even attempts to introduce some degree of socialist regulation of the market tend only to increase further the advantageous position of the foreign capitalists.

Partly in response to this ability of investors from abroad to escape regulation, as well as in reaction to the disaster at Zhili in Shenzhen, which generated strong protests from the trade unions and the threat that unofficial labor actions would increase in the special economic zones, the government announced that the exemptions and privileges offered to foreign-funded enterprises would soon be reduced. In theory, these firms will be forced to accept changes in the areas of taxation, labor relations, and management practices, creating greater equality between them and other sectors of the economy. Any modification of the behavior of the enterprises based on capital from abroad, however, is marked by hedging and lax enforcement. In the area of taxation, for example, the government has pledged to equalize tax rates between domestic and foreign firms. But a high official recently stated that despite such formal changes, a way will be found to continue giving investors from abroad lower taxes, through rebates or other financial manipulations.

Macro-economic control has thus proven to be a tricky business, in which Peter is constantly robbed to pay Paul, and the forces of the market constantly escape the limits which the government tries to impose on them. Much of this effort has been little more than a catch-up game. Until now, the common practice has been to release the forces of the market,

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virtually without regulation, and only then to try to introduce some element of legal control and economic discipline. In effect, this has meant a series of efforts to lock the barn door long after the horse has fled. A lengthy list of measures has been issued in the last two years in every area of the economy, but these "cures" often produce consequences almost as bad as the conditions they were meant to address, or exacerbate even further the imbalances they were supposed to correct. Especially in the case of foreign investors, macro-economic control has so far done little to restrain their free hand, and has even reinforced their privileges.

"Socialism with special Chinese characteristics" is also supposed to mean, however, that even if the state cannot fully control marketization, it will buffer the effects in such a way as to prevent the contradictions historically associated with the development of capitalism, especially in the Third World. But much of what is meant by this socialization is little more than an effort to force enterprises to work through the "normal" methods associated with capitalist exploitation, rather than earn their profits by fraud, corruption, and speculation. In the last few years, so rampant have corrupt practices become that entire industries have been at least partially undermined. Most notably, the still small domestic auto production has been limited by the massive smuggling of cars into the country, estimated to have brought in hundreds of thousands of vehicles since 1990. More recently a virtual growth industry has developed among peasants in poor areas who steal power and communication equipment, resulting in the loss of some 24 million kilowatt hours of electricity in 1993. Car stealing has become so common, rising 47 percent in just one year to 73,200 units nationwide, that the Public Security Ministry demanded that drivers fit their cars with anti-theft devices. The whole development program is threatened by such distortions. What passes for macro-economic control is at times little more than imposing some limits on private profiteering and manipulation, similar to those restrictions introduced in

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most of the leading capitalist countries after their earlier "Robber Baron" stages.

Corruption, however, has become, in many cases, not an aberration, but the very way the system works, deeply imbedded in the government itself. The same kinds of extra-legal fines and charges, forced "contributions," and purchases of unneeded goods levied on peasants have commonly been used by authorities to extract funds from the enterprises under their control, supplemented by outright bribery. In a kind of pyramid structure, a portion of these monies is used to pay off those higher up in the state and party. Provincial governments in 1993 canceled 5,227 such illegal levies valued at 7.3 billion yuan or $839 million. So too, a recent regulation has been issued against "moonlighting" by officials to supplement their incomes, which often allows them to take advantage of their positions to gain business deals and privileged market ties. But despite major anti-corruption drives and even the use of the death penalty against serious offenders, major cases doubled in 1993, and more than 40,000 party members had to be disciplined in one four-month period alone. The atmosphere of "money by any means" is rapidly becoming all-pervasive. Some journalists have taken to skewing their reporting in return for a bribe, while some newspapers are encouraging the practice to supplement low salaries.

The government has now introduced "hot lines" to report corruption and consumer complaints, in an attempt to enlist the public in its program of macro-economic controls. These services have been heavily used, and have led to the cracking of some major cases involving corrupt officials. But the palliative effect of such expedients is indicated by the simultaneous pronouncement by the Central Committee of the Communist Party that no mass campaigns will be encouraged or even allowed as part of the anti-corruption drive. Rather, "the struggle should be carried out within party and government institutions, judicial departments, administrative and law-enforcement departments and economic administrations" (*China Daily*, 11 October 1993, p. 4). This allows the

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authorities to focus on only those cases which they choose to expose to the light, normally at lower levels, while the actions of the highest officials, most notably the massive enrichment of the families of many leading party and state officials, go untouched. It also means that no mass participation will be allowed to interfere with, or expand on, the implementation of socialist macro-economic controls.

The limited form of the anti-corruption campaigns, however, has begun to weaken the control of the state itself. Many companies have been expanding their assets through joint ventures, without changing the book value of the parent enterprises. These firms can then generate profits from their new activities which are essentially "off the books" as far as the government is concerned. Others create phony "front" firms with foreign capitalists, in order to obtain tax breaks and other preferential treatment, going so far as to send funds abroad to be "invested" back in China. Some state-owned enterprises have turned their assets to unauthorized uses, or converted to ownership by cooperatives made up of the former managers and employees, and others have simply divided up their resources privately, without paying for them. Such practices have eroded the asset base owned by the state, which in turn undermines government revenues. Even where a proper evaluation is made, it may be disregarded by officials eager to develop their regions, regardless of the effects on the state as a whole.

The loss in asset value from these fraudulent practices and market forces has been staggering. Non- or under-evaluation of joint ventures alone is estimated to cost the government 30 billion yuan or over $3.4 billion per year. Over the past decade, the total of state assets lost by all means now amounts to some 500 billion yuan or $57.5 billion, despite overall growth of the public sector. In addition, particularly widespread practices have been to award state-owned shares less dividends and bonuses than private investors. These forms of fraud have been compounded by a growing epidemic of outright tax evasion and non-reporting of income, practices

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that are estimated conservatively to be costing the state 100 billion yuan or $17.2 billion a year. Furthermore, the vague question of ownership rights means that a chaotic situation has arisen over who controls the income of enterprises, and for what purposes it will be utilized, resulting in lost revenues at all government levels.

Even these losses in state revenue are penny ante, however, compared to the massive diversion of taxes from the central government to lower bodies as a result of the decentralization which was implemented at an early stage in the reforms, largely to help break the power of national ministries and their related public enterprises. In particular, the provinces and townships have now become largely autonomous economic units, retaining taxes for their own purposes without sending them on to the national government, or granting tax breaks, in an attempt to attract investment and build up their regional economies in competition with surrounding areas. Some regions have even gone so far as to limit exports and imports, erecting a protective barrier around their own emerging industries. There has also been widespread falsification of economic data. Such policies have helped to generate a looming crisis, in the form of a massive deficit for the central government and inaccurate plan estimates, and even the threat of national disintegration and the growth of regional "warlordism," uniting party and state officials, business investors, and the local military leadership, the recurring nightmare of Chinese history.

A major concern at present for the top state and party leaders is, therefore, how to reassert national control, how to divide the money generated by enterprises into profits and taxes, and which portions will be retained by the firm and by the local, provincial and central governments. This is the principal goal of the new economic regulations issued in November 1993, which included a shift from government dependence on a share of profits to a more tax-based system, and a more even distribution between the center and localities of the revenues generated by taxation. But regionalism has

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already become so far advanced, and the ties between local government officials and enterprises so close, that there is great resistance to changing the present system, and the decline of national authority may simply not be reversible by the belated top-down attempt to reassert control from the center.

As a consequence of these developments, while in 1981 the share of revenues going to the central government was 57 percent, by 1993 this had dropped to under 39 percent. Thus the national state bodies of socialist China are greatly underfunded compared to the United States and Japan, the leading capitalist countries, where the percentage of taxes going to the center is 55 and 70 percent, respectively. At the same time, the Chinese budget deficit has soared from 2.6 billion yuan or $442 million in 1981 to 23.8 billion yuan or $4.1 billion in 1992, a ten-fold increase. If debts are included, the figure rises to 90.5 billion yuan or $16 billion, equal to some 3.8 percent of GNP. It is this massive loss of revenue that has fueled the almost desperate drive to cut government responsibility for social security, health, and education, and to force all state institutions to make their own way economically. But it has also meant that the government increasingly lacks money for the investment programs of the reforms themselves, thus exacerbating the dependence on foreign funding. Perhaps most significantly in the long run, underfunding of the center has undermined the ability of the state to use the very macro-economic financial methods on which it depends to control the market, and thus to maintain its claim to socialist goals.

"Market Socialism" in One Country

Together with the still high percentage of public ownership and the continuing direct investment by the government in expanding enterprises, the use of the state for regional and sectoral redistribution, and the degree of macro-economic control, the Chinese point to their attempt to find

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ways to combine public and private ownership as indicative of socialism. At the same time, any resemblance to the "guided capitalism" of Japan and other Pacific Rim nations is hardly accidental. These countries, with their rapid rise to global economic prominence, clearly serve in many ways as the model for much that is happening in China today. There is even talk of Guangdong catching up with the "four dragons," Hong Kong, Taiwan, South Korea, and Singapore. Yet even here, the reformers stress that their system will remain distinctly socialist, with it own unique "Chinese" characteristics.

Even if they were able to keep in check the internal contradictions of their system, however, the effort to build "market socialism in one country" seems likely to have an even shorter life expectancy than the earlier Soviet model. In the first place, whether the "cancer" of largely foreign-funded capitalist development, intentionally introduced by the government, can be controlled, or whether the most powerful figures in the current leadership even want to control it, is a fundamental issue today. From this perspective, the only question is whether there will be conversion to a totally private form of capitalism, and how long such a process might take. No doubt a complete reversion to a capitalist system is the goal of many within the burgeoning privatized sector, and some elements within the government, especially those most closely tied into foreign ventures and joint enterprises, must share these ultimate aims. The All-China Federation of Industry and Commerce, for example, has called for the creation of private banks, which it says are needed to finance the growing privatized business sector, since state banking institutions still favor government-owned enterprises. In such a climate of increasing "big" bourgeois class pressure, the question naturally arises whether there is the will or the way to resist full recapitalization.

At the same time, as China becomes ever more deeply tied into the global economy through both investment and trade, it becomes subject to the vagaries of the world market, with consequences that are increasingly felt down to the local

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level. Already, peasants are feeling the competition of imports, and workers are being fired because their factories cannot meet international capitalist standards. Even the central purpose of the Special Economic Zones, to fuel the export market, has begun to turn back on itself. Foreign-funded enterprises imported $42 billion in 1993, some 40 percent of the Chinese total that year, and 59 percent more than in 1992, compared to exports of only $25 billion, up 45 percent, and just 26 percent of the total. Thus the trade gap of firms capitalized from abroad was equal to twice the national export-import deficit of $9 billion in 1993, the first since 1989. All this is happening in boom times. But the market cannot sustain endless growth of the kind China has achieved during recent years. When the inevitable downturns or even a crash come, the dismantling of the older socialist system will have left tens and perhaps hundreds of millions of Chinese without any buffer against the devastations of rationalization. Already deeply in debt and running annual budget deficits, and unable to provide unemployment insurance for the still relatively small proportion of jobless workers or to find work for underemployed peasants, it is virtually inconceivable that the Chinese government would have the resources to meet the social dislocations caused by a major economic crisis.

Moreover, the logic of international capital, success may be almost as deadly as failure. For with a rise in incomes in China or an attempt to improve working conditions will come disinvestment on the part of those multinational investors who are always ready to move on to the next low-wage country free from labor regulations and high taxes. In early 1994, foreign investment was already slowing down or shifting northward to escape rising wages and new controls. The effort of the Chinese to raise over one-fifth of the population of the globe even to lower rank "second world" economic status presents its own barriers not experienced by smaller countries. Such a large segment of the international labor force cannot enter the capitalist global system at a considerably higher level without altering the entire structure of the world

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economy as it is now organized. The full productive potential of more than a billion Chinese cannot be absorbed without displacing significant portions of the present leading economies of the globe. Thus the United States, Japan, and other dominant global powers are already torn between the attempt to capture the expanding markets of China on the one hand, and to prevent it from emerging as a major competitor on the other. Many of the tensions which are presently surfacing between these countries, such as the conflict over human rights, can be traced to this ambivalence over how to both exploit and contain the Chinese economy at the same time.

As China attempts to define and implement "market socialism with special characteristics," it has before its eyes the example of the former Soviet Union, with its disastrous abandonment of any remnants of the former socialist system, leading to near collapse of the economy, social anarchy, and regional fragmentation. When the Chinese government speaks of maintaining socialism, therefore, whatever its definition of that term, it means first and foremost avoiding the kinds of dislocations and loss of national coherence now experienced in Russia. In this effort it finds widespread support among the Chinese people, who fear the breakdown of their own society, however much they may chafe at the same time beneath the repressive policies of the state. But the promise of continued socialist stability cannot be maintained without raising popular expectations which the program of market reforms is increasingly unable to meet. While the name of the system may have little effect on its actual practices, therefore, it continues to represent an ideological force among the masses of Chinese, who will not lightly abandon their revolutionary claim to socialistic goals for the sake of "order" alone.

That a tension still exists on the popular level between the two systems of social organization is indicated in many ways. While the salary level of employees in joint ventures is generally higher than in fully government-owned enterprises, for example, this does not alter their closer resemblance to

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private capitalist firms in their methods of operation, and gains in income there are largely canceled out by the lack of benefits and greater work load. Thus the Volkswagen-affiliated plant in Changchun pays at least one-third higher than the fully state-owned First Auto Works, and one does not see there the same number of excess workers lounging around waiting for something to do. But the VW workers complain of long hours, demands for overtime, and the greater intensity of work on the line. Some who were eager to take jobs there have even left and returned to the more leisurely, if less well rewarded, employment at First Auto. Similarly, many have gone south, only to find their higher salaries have been quickly eaten up by soaring costs of living and the necessity to pay privately for all forms of social security; not a few have returned home, no longer so enamored of reform.

In other ways also, the limits of market socialism have increasingly been recognized. Even in the peasant areas where it all began, there is a growing understanding that the extremes of individual entrepreneurship that were forcibly adopted have begun to reverse back upon themselves. As farmers face the difficulty of competing in a national and even international market, they find that their ability to succeed is undermined by the limits on their knowledge and technology dictated by micro-agricultural methods. A move has therefore begun back toward forms of cooperative investment and labor, backed up by local and regional marketing and information networks, to escape the bounds of individual enterprise. These are not, of course, a revival of the communes. But they reflect the increasing tension between marketization and the reality of a China still locked to a large degree in Third World conditions.

On the official level too, even as they are implementing the dictates of the reforms, administrators feel compelled to explain how they will prevent them from undermining the old system. Announcing the new policy of university tuition, the vice-chairman of the State Education Commission stated that the higher fees "must be set according to the exact costs for

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each student as well as the resources of students' families and local economic conditions" (*China Daily*, 30 April 1994, p.1). Similar appeals to socialistic goals have been made by housing officials, who demand that more attention be paid to building apartments for low-income workers, and less money wasted on luxury villas. In field after field, the costs of domination by the market are being felt in ways that are often bitterly resented, not excluding the arts, where public support flounders. Even the leading dance company has threatened to auction off the rights of its most popular ballet to foreign investors to meet rising expenses.

The slowness with which the reforms have been introduced in China, in contrast to the wholesale and rapid recapitalization carried out by Boris Yeltsin in Russia, have thus worked to both the advantage and disadvantage of the market socialists. They have delayed the full impact of marketization being felt until now, and thus put off the final reckoning between the two poles of the current policies. But this has allowed the Chinese people to continue in their belief that market reform will not mean the same thing that it has elsewhere in the former socialist bloc, and to learn from what has happened to those societies, as well as from their own personal experiences. Below the calm surface there are increasing signs of a gnawing fear and resentment, and an explosive atmosphere, even among those who have been beneficiaries of the new policies in various ways, and still support the reforms to a large degree.

The first major clash resulting from the growing resistance to the effects of marketization, and especially the rampant corruption, was of course the uprising of 1989, led by students and intellectuals, though joined by many workers as it proceeded. The response of the government in the aftermath of Tiananmen seems to have been to accelerate the reforms, in order to present the Chinese masses with a fait accompli, to complete marketization while Deng Xiaoping was still alive to guide the process, and to overwhelm the country with a form of consumerism that would bury opposi-

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tion beneath a mountain of newly acquired goods. At the same time, a large breach was opened in the dike which had previously kept out "bourgeois pollution" imported from abroad. This has led to an almost ludicrous ambiguity in the cultural and ideological images presented by the government. Thus state-run TV stations in the winter of 1993-1994 would sometimes cut directly from movies exalting the revolutionary struggles of the early Communists to a fashion show runway with long-legged western models strutting in the latest luxury wear or to foreign rock bands performing Michael Jackson numbers. To an extent these "bread and circus" policies have succeeded in diverting opposition, especially among those urban elites and rural entrepreneurs best positioned to take advantage of them, and among those too young to remember what China was like before marketization.

But the ever accelerating pace of reform has come at a mounting price, which is being paid most heavily by the working classes. Though surveys claim wide support among peasants and workers for the current line, and many people in all sectors are said to be enjoying their new freedoms in the market, it is just now that the harshest consequences of these policies are beginning to be felt fully by the broad masses. It is only today that tens of millions of workers must face the loss of their jobs and social benefits, and that hundreds of millions of peasants must give up all hope of ever again farming. They are joined by the elite of university students who will soon realize that they must now pay their own way through school, and the millions of graduates who no longer have guaranteed jobs, but must find work in the private market. For each of these groups, the promise of the reformers to maintain a balance between the old system and the new is vanishing, and they are faced with the stark reality that marketization means a total transforming of their lives.

The results of these transformations are increasingly catastrophic in just those terms that market socialism with special Chinese characteristics was meant to avoid. It was a spate of peasant disturbances that led to the crackdown on

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illegal fees and charges last year. Still a top judiciary official announced in May 1994 that social order has begun to break down in large areas of the countryside, the result of uncontrolled crime and the rapid growth of a rootless and impoverished segment of the population. More than 200 riots were said to have occurred in 1993. In the cities and in large-scale enterprises, labor resistance is mounting, with 6,000 strikes reported last year, leading to disruptions in production and the threat of wider and more radical forms of struggle. Growing worker complaints led to a 52 percent rise in arbitration cases before labor boards from 1992 to 1993. Especially in foreign-owned enterprises, disputes and walkouts are increasingly common.

But even among those parts of the population who have bought in most completely to the reforms, concern is growing at the vast polarization developing in Chinese society between rich and poor, and the threat of foreign domination represented by multinational investment. These developments awaken the deepest fears in the Chinese, who still speak with great anger and shame over the subordination and carving up of their country by the imperialist powers, and continue to revile Chiang Kaishek for the era of corruption, wasteful luxury and deepest poverty, and the Japanese invasion over which he presided. It was this loss of national control and the growth of regional warlordism which was the main historical trigger of the revolution which brought the Communist Party to power in the first place, and it is this threat which more than any other still has the potential for releasing renewed social upheaval, tying together resistance to imperialism and to domestic exploitation.

Like the imperial dynasties of Chinese history, modern China has moved through a kind of cyclical oscillation, though now greatly contracted in time. This pattern has resulted from mass reaction to the contradictions which flow from the policies of each of the class forces which have contended for power. Only some fifteen years separated the revolutionary triumph from the vast and cataclysmic show-

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down between the two lines of Mao and his opponents which gave birth to the Great Proletarian Cultural Revolution. Another period of the same length ended in the rise of Deng Xiaoping and his market reforms. Now fifteen more years have passed, and China is again at the brink, facing a fundamental choice as to which path it will take. Despite the current domination of marketization, the claim that the system is and must remain socialist is not simply a matter of official rhetoric. It is advanced by many Chinese, who reject the idea that the country is or should become fully capitalist, which is widely viewed as a prescription for disastrous social chaos under the present conditions of China, with its more than 1 billion people. It is therefore necessary to try to understand how much of a basis still remains for a movement once again toward a more revolutionary system of socialism, and which of the two tendencies may prove strongest in the end.

Three main possibilities seem to present themselves. It is of course conceivable that market reform will continue with a more or less unbroken development, leading the Chinese into the world economy as an equal with the other major international powers. But the factors weighing against such success are extremely heavy, and the costs even of succeeding will most likely be excessively high for significant portions of the population. If, on the other hand, China tries to pursue its present path and fails, the country will for the first time since the revolution face the prospect of truly joining the Third World, which is not simply a level of economic development, but a subordinate position within the world market and the extreme polarization of classes which always accompany that status. The other possibility, therefore, is that the Chinese will pull back from their current headlong rush to private marketization, and restore at least some of the most crucial elements of the previous revolutionary socialist system. With Deng clearly in the last years, if not months, of his life, it appears extremely unlikely that these opposing paths will be negotiated without another massive eruption between the two

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main class forces which have struggled for control of the Chinese revolution.

In the event of such a clash, it seems certain that the top leaders, including major segments of the military, will try to crush their opponents, with the same kind of brutal force that was used in 1989 in Tiananmen Square. The student-based and peaceful demonstrations in Beijing and elsewhere that precipitated that crisis, however, are likely to pale before the scale and violence of any renewed struggle, in a country where the peasants have for centuries produced leaders, often from their own ranks, to organize revolts, and where the proletariat has as revolutionary a history as any in the world. These classes would almost certainly be joined, not only by the hard liners who are said to still exist even at the highest levels of the party and state, including within the military, but by significant numbers of lower level officials and professionals, who even as they carry out the reform, express their ambiguity toward its consequences and mourn the loss of older values.

Even should such a struggle arise and succeed, however, the massive effects of the genie of marketization cannot be put back in the bottle. China has been fundamentally transformed, from the look of its cities to the relations between its people. If the Chinese once again move away from the policy of reform, they will be able to do so only by absorbing both the positive contributions and the negative lessons of market socialism. This will require a new "mix," in which the spirit of Mao Zedong will once again no doubt be more strongly felt, with a renewal of social egalitarianism and collective efforts, but only by moving forward from the plateau of massive economic growth and openness to the world which marketization has reached.

In the China of today, it is hard to imagine a rapid reversal of direction once again. But no country has been more full of surprises in the recent past. In the rest of the world, the vision of a billion Chinese buying foreign goods may dance through the heads of the capitalist class, a recurring dream for at least a century. In China itself, however,

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there is fear that the nightmares of the last hundred years, class polarization, regional fragmentation, and domination from abroad, may be recurring. In the face of growing social divisions and global contradictions, other dreams may be forming that are very different from the plans being concocted in the boardrooms of multinational capital and their Chinese friends. The mass of workers, peasants, and intellectuals have yet to be heard from, and when their voices are finally released, China may once again surprise the world.

We think that revolutionary change in Mexico is not a question of one kind of activity. It will come, strictly speaking, from neither an armed revolution nor an unarmed one. It will be the result of struggles on several fronts, using a lot of methods, various social forms, with different levels of commitment and participation. And the result will not be the triumph of a party, organization, or alliance of organizations with their particular social programs, but rather the creation of a democratic space for resolving the confrontations between political proposals. This democratic space will have three fundamental premises that are already historically inseparable: the democratic right of determining the dominant social project, the freedom to subscribe to one project or another, and the requirement that all projects must point the way of justice.—Subcomandante Marcos, *Shadows of Tender Fury* (NY: Monthly Review Press, 1995), p. 85.

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CHAMBERLAIN: COLLUSION, NOT APPEASEMENT

by CHRISTOPHER HITCHENS

In the depths of the Cold War it was a poor day that did not bring some invocation of "Munich" or "appeasement" from the tribunes of the powerful. If there was one lesson of history that had, it seemed, been thoroughly assimilated, it was that kid gloves did not work with ruthless dictatorships. Whatever doubts were expressed about the wisdom or (more rarely) the decency of some imperial expedition or other, the moral of 1938 was instantly adduced as a quenching reply. Who can forget the description of Diem of South Vietnam as "the Churchill of southeast Asia"? One could cite also Sir Anthony Eden's comparison of Nasser with Hitler. "Adlai wanted a Munich"—thus a wounding leak from Kennedy circles about Stevenson's hesitancy over the Cuban missile crisis. By coming to Fulton, Missouri, for his Iron Curtain-raising speech in support of the Truman Doctrine, the immensely popular and impressive figure of Winston Churchill had, so to speak, legitimized the wholesale importing and extension

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This is a book review of Clement Leibovitz, *The Chamberlain-Hitler Deal* (Edmonton, Alberta: Les Éditions Duval Inc., 1993), 544 pp., Can. $19.95. Christopher Hitchens writes the "Minority Report" column for *The Nation* and the "Cultural Elite" column for *Vanity Fair*. He is the author, among other books, of *Blood, Class and Nostalgia: Anglo-American Ironies*. His latest collection of essays, *For the Sake of Argument*, has just been produced in paperback by Verso.

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of the imagery. And since the specter conjured was that of fascism, it possessed a special power to influence liberals. (Not unlike another anti-fascist propaganda term of the 1930s, "Fifth Columnist," which originally described covert supporters of General Franco, but which could be used with disciplinary effect on those who feared that they might not pass a loyalty test in the stringent conditions of Cold War United States.)

That special tool of the *Zeitgeist*, a Lexis computer search of newspaper reports, confirms the general impression. William Safire's columns, in one study, were found to rely on references to Churchill one out of every four times. During the Congressional debate over the Gulf War, an analysis of the *Congressional Record* for House and Senate showed that "Munich" and "appeasement" were used as metaphors more often than "Vietnam."

Considering that Munich is still in living memory, it is extraordinary that the political uses of Neville Chamberlain's umbrella should be, in point of argument and example, so utterly distant from those of their original. The very word "appeasement," which is now axiomatically pejorative, was at the time attached to the supporters of the Chamberlain policy by those supporters themselves. "Appeasing" the resentment and complaint of the central and southern European dictators was what they claimed, in all candor, to be doing. It was a supposedly sound and rational policy based on a well-founded horror at the thought of repeating the miseries of the Great War (as it could still be called) of 1914-1918, and also on a defensible view that the Treaty of Versailles had put Germany in an impossible position. To call Chamberlain an appeaser in 1938 was to flatter him by presuming that his objective was the avoidance of war. His mistake, in other words, was only an excess of compassion and naiveté and an imprudent unwillingness to consider the use of force. In Churchill's famous comment on the betrayal of Czechoslovakia—that Britain had resorted to disgrace to avoid war but would have the disgrace and the war also—he essentialized the impression of dithering, cowardice, and irresolution that

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has hung about the controversy ever since and made it so serviceable in later debates about "peace through strength."

Yet consider for a moment: The Tories were never renowned for their pacifism nor yet for their isolationism. Their attitude to the use of violence when their own interest was involved could be described without exaggeration as unsentimental. And yet they are assumed to have pursued a policy, heedless of that very self-interest, which later led to a war being fought on less favorable terms. How lucky that their own ranks contained the prophetic Churchill, who was able at the last feasible minute to rally a defiant nation and set an example of gallantry and resistance that has ever since served as the pattern of resolve. It is almost enough to convince you, if mixed with enough Shakespearean rhetoric, that England is guarded by a special providence. Who would not want a share in such a story? Ronald Reagan's first act on becoming commander-in-chief was to install a large portrait of Sir Winston in the White House "situation room."

But for those who do not think of history as a morality tale, there has always been a nagging question. The Baldwin-Chamberlain establishment gave Mussolini a free hand in Abyssinia, Franco a free hand in Spain, Hitler a free hand in Austria and the Sudeten territories of Czechoslovakia. They traded armaments to Hitler, conducted anti-communist diplomacy with him at various European watering places, and very frequently announced to the world that his grievances, while often expressed in a tone regrettably lacking in reserve, were nonetheless genuine. What if—one is only asking—what if the problem were not *capitulation* but *collusion*? What if the disaster of the Second World War resulted not from an underestimate of the evils of Nazism but from a consistent attempt to cooperate with it?

It is the argument of Clement Leibovitz's important book that the whole history of the 1930s and the whole policy of the then British Tory leadership is quite literally unintelligible unless one makes the second assumption. That is, until the last moments of the crisis over Poland, and well through

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the Munich agreement, the chief objectives of Hitler and Chamberlain were more or less explicitly the same: an agreed division of Europe, an immunity for the British Empire from Nazi claims, and the isolation and eventual destruction of the Soviet Union and the communist threat generally.

Evidence concerning this policy and the precise level of self-consciousness that it involved has often been somewhat anecdotal and journalistic. The celebrated Kim Philby, for example, secured the confidence of those he needed to impress in the British establishment by the simple trick of acting like a Nazi sympathizer. He attended swastika-bedecked evenings sponsored by the Anglo-German League, an upper crust front organization in sympathy with "The New Germany," and having gone to Spain to report from the side of the fascist mutineers, he accepted a decoration from Franco. He performed the latter feats as an accredited correspondent for the London *Times,* a newspaper whose editorial policy was once described (by its editor) as being determined "by a committee that never meets." The filiations of that committee, extending through the Foreign Office, certain munitions makers, a chunk of the aristocracy and the Royal Family, the armed services, and All Souls, Oxford, were captured in Claud Cockburn's entirely arbitrary but completely satisfying coinage "The Cliveden Set." Yet more modern representations of this milieu—the best known of which is Kazuo Ishiguro's *The Remains of the Day*—tend also to represent its members as dupes, too short-sighted to realize that they are in a pact with the devil.

"There are in fact many things in the Nazi organization and social institutions, as distinct from its rabid nationalism and ideology, which we might study and adapt to our own nation and old democracy." There are two absorbing facts about this quotation, which is part of a veritable anthology unearthed by Clement Leibovitz. The first is the authorship and the second is the date. It was written by Sir Neville Henderson, the British ambassador to Germany. And it was published in October 1939. Sir Neville's tenure spanned the

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decisive years between 1937 and 1939, during which time he came to the following conclusions, set out in his memoir *Failure of a Mission*:

> People in England fail to realize that even dictators can be, up to a point, necessary for a period and even extremely beneficial for a nation. . . . Nor are all dictatorships, even if prolonged, reprehensible. One cannot, just because he is a dictator, refuse to admit the great services that Signor Mussolini has rendered to Italy. . . . nor would the world have failed to acclaim Hitler as a great German if he had known when and where to stop; even, for instance, *after* Munich and the Nuremburg decrees for the Jews. Dr. Salazar, the present dictator of Portugal . . . is assuredly one of the wisest statesmen which the postwar period has produced in Europe. (emphasis added)

As Sir Neville recalls with evident regret, there were those too ungenerous to see the enticements of this reasoning. He sometimes found it necessary to correct them. On one occasion:

> I remarked that it would be better if people in England laid less stress on the Nazi dictatorship and paid more attention to the greater social experiment which has been tried out in Germany. I said that, if they did, they might learn some useful lessons; and I remarked that too much concentration on those trees which appeared misshapen in English eyes rendered us insufficiently appreciative of the forest as a whole.

That last sentence could scarcely be bettered as an example of bufferish pomposity embellishing an already time-worn cliche. Nor could it be much improved upon as a clinical example of the *mens rea* [the intentional component of a criminal act, *eds.*] of the government (and the class) which Henderson was representing.

Not everything in Hitler's Germany was to Sir Neville's taste, but he put down the excesses to a racial or genetic lapse, wherein Slavic blood had diluted that of Prussia and "has prostituted or is prostituting the greater qualities of order and efficiency, probity and kindness of the purer German of the North West." One easily forgets how commonplace was the expression of vulgar eugenic theory at this time. Sir Robert Vansittart, Permanent Under-Secretary of State for Foreign Affairs, actually evolved a theory that German character was incompatible with democracy and liberty; a theory which had

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more in common with the anti-"Hun" propaganda of British imperialism in the First World War. It turned out to be unsuited for a battle against Nazi racialism, but was briefly refurbished after 1945, also by Vansittart, to show that it was *Russians* who suffered from the genetic deficit in respect of the blessings of self-government. And Vansittart, it must be stressed, was one of the "moderates." He hewed to the "balance-of-power" anti-Teutonism of the 1914 generation. In late 1935, indeed, he wrote to Lord Wigram, private secretary to King George V, in the following terms:

> Any attempt at giving Germany a free hand to annex other people's property in central or eastern Europe is both absolutely immoral and completely contrary to all the principles of the League. . . . Any British government that attempted to do such a deal would almost certainly be brought down in ignominy—and deservedly. . . . Any suggestion that the British government contemplated leaving, let alone inviting, Germany to satisfy her land hunger at Russia's expense would quite infallibly split this country from top to bottom.

One does not trouble the Palace with thoughts like these unless there is some reason to be apprehensive about an actual British government either "leaving" or "inviting" Germany to move against the East. Sir Robert became the particular target of those like R.A. Butler who understood that "appeasement" meant collaboration. By early 1938 Vansittart was out and replaced by Sir Alexander Cadogan. Cadogan's views are neatly encapsulated in a diary entry he made for February 15, 1938: "Was summoned early to F.O. [Foreign Office] as there was a flap about Austria. Personally, I almost wish Germany would swallow Austria and get it over. She is probably going to do so anyhow—anyhow we can't stop her. What is all the fuss about?"

Leibovitz's first language is not English. Indeed, I'm not sure it is even his second language. So it is all the more to his credit that he evinces a well-honed sensitivity to the nuances of diplomatic and ideological euphemism. When Neville Chamberlain replied to the Labour leader Clement Attlee during the Czech crisis of March 1939 and said, "I might remind him that the proposed guarantee is one against un-

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provoked aggression on Czechoslovakia. No such aggression has yet taken place," Leibovitz notices at once that the key word is "yet." Chamberlain and his Foreign Secretary Lord Halifax knew as the statement was being made that German troops were advancing toward the Czech frontier. A little earlier, when Chamberlain writes to Henderson and observes that "Things look as though Spain might clear up fairly soon," and the date of the letter is February 18, 1939, it takes very little in the way of detective work to deduce that the British Prime Minister regards the extinction of Republican Spain as something of a relief.

Similarly, although I had already read the nauseating diaries of Sir Henry "Chips" Channon and imbibed through them the moral atmosphere of the Cliveden crowd, I don't believe that I had noticed his entry for March 14 and 15, 1939, before or appreciated its truly ghastly fulsomeness. Commenting on Hitler's abrupt decision to abrogate even the humiliating Munich agreement, Channon describes it as a move by the Führer to "throw Chamberlain over" and adds that "his callous desertion of the PM is stupefying." What are these but the accents and tones of lovers? Wounded and rejected lovers, perhaps, but lovers nonetheless.

"Eurocentric" is a term that has become emaciated with overuse. But it remains true that British calculations about the menace or otherwise of Hitlerism were heavily conditioned by thoughts of empire, and it is likewise a fact that this element in the historical memory (which tends to stress Austria and the Sudetenland) is commonly overlooked. As Leibovitz demonstrates on almost every page of his narrative, it was the illusion that they might preserve the empire without war that chiefly animated the Chamberlainites. As Leon Trotsky wrote at the time of the Munich crisis, Hitler had much to gain by blackmail and bluff and the threat of war, while the established colonial powers, which were also the victors of 1918, had much to lose. "Chamberlain," Trotsky correctly observed, "would give away all the democracies of the world—and not many are left—for one tenth of India." (Incidentally, in an

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article dated September 22, 1938, Trotsky added: "One may now be sure that Soviet diplomacy will attempt a rapprochement with Germany . . . the compromise made over Czechoslovakia's dead body gives Hitler a more convenient base for starting the war. Chamberlain's flights will enter history as symbol of the diplomatic convulsions which a divided, greedy, and helpless imperialist Europe lived through on the eve of the new bloodbath awaiting our planet.")

It was empire, too, that prevented Churchill from waking up to the danger of fascism until it was almost too late. He had been an early sympathizer of Mussolini, a sworn foe of Bolshevism, and perhaps the most demagogic opponent of even limited independence for India. It was to take him some little time to see that the real threat to British interests was nearer home. Other intelligent conservatives and military men, notable among them the brilliant strategic writer Basil Liddell-Hart, kept pointing out that Nazism was a state organized for war and expansion, and would have to be confronted later if not sooner. It seemed to them, as it did to Vansittart, commonsense to try to contain fascism. They put these arguments cogently and with great frequency, so it is entirely certain that Chamberlain and his clique were well aware of them. This only reinforces Leibovitz's insistence that the attempted *rapprochement* with Hitler was a conscious choice and not an improvised fumbling. Liddell-Hart's account of his own conversations with establishment and military figures, particularly about the threat to British naval hegemony that would so clearly eventuate from a Francoist victory in Spain, leave no room for doubt that pro-Axis sentiment in this echelon was determinedly ideological. (A prominent Tory MP, Sir Henry Page-Croft, became famous at about this time for his description of General Franco as "a gallant Christian gentleman," and Liddell-Hart records "what Francoist envoys gloatingly related at private meetings in London to which I was invited by ardent Francoist supporters, including Conservative Party ministers, who assumed that because of my military background I would naturally share their views.")

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Chamberlain today is probably best remembered, apart from his Munich umbrella, for the least inspiring call-to-arms ever issued by a politician. Broadcasting to the British people, he eschewed all the Shakespearean tropes that English statesmen customarily employ on such occasions, and instead dissolved into one long whining bleat: "How horrible, fantastic, incredible it is that we should be digging trenches and trying on gas masks because of a quarrel in a far away country between people of whom we know nothing."

Those last phrases have gone down in history as the essence of the parochial, provincial, capitulationist style, as in some sense they deserve. But Leibovitz demonstrates that in private communications Chamberlain proved himself quite adept at evaluating Czechoslovakia. As he told his own diary six months before the speech cited above:

> You have only to look at the map to see that nothing that France or we could do could possibly save Czechoslovakia from being overrun by the Germans, if they wanted to do it. The Austrian frontier is practically open; the great Skoda munition works are within easy bombing distance of German aerodromes, the railways all pass through German territory, Russia is 100 miles away.

A quite nearby country, in fact, about which Chamberlain knew a good deal. As we have seen, it was not by coincidence that the Austrian frontier was "practically open" after the Anschluss. The conditions for "overrunning" had already been created, in full knowledge of their consequences. The Germans would be incomparably stronger once they had annexed "the great Skoda munition works." And yes, come to think of it, Russia *is* rather close. What is this but to make the next move—a Nazi attack on Russia—seem inescapable? In the same month as this entry, Foreign Secretary Lord Halifax was explaining to his colleagues that the essential thing was "to dissuade France from going to the aid of Czechoslovakia," and with that the last loose end is tied up. The Tories did not just will the end, they willed the means. They sought to narrow Hitler's options to one.

In the past few years in Germany, there has been an intense debate known as the *Historikerstreit* about the moral

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and historical burden of National Socialism. Conservative scholars like Ernst Nolte and Andras Hillgruber have been arguing that Nazism was a response to the crimes of Stalinism (in its concentration-camp mode) and to the threat from the East (in its militarist mode). Although doughtily contested by Jurgen Habermas and others, they have made some headway in convincing a new generation that there was nothing abnormally or exceptionally disgraceful in the crimes of the Third Reich. One of Leibovitz's most fascinating discoveries, appended to his main text, is a British document which made precisely the Nolte/Hillgruber argument more than half a century ago. In 1940 Lord Lloyd of Dolobran published a book entitled *The British Case*. It carried the imprimatur of Lord Halifax, who contributed the introduction. It purported to state the official reasons for waging a war against Germany, but it actually contained all of the official thinking which had sought to make an accommodation with Hitler. It bears some direct quotation.

Writing after the declaration of war over Poland, Lloyd reviews the antecedent crises and says, of Nazi remilitarization of the Rhineland: "She merely wished, she said, to restore completely to German sovereignty the population of those districts which happened to abut on the Rhine. The excuse was perhaps adequate." On the engulfing of Austria: "The German attack on Austria was equally not without excuse. . . . Once more the excuse was fairly adequate." And on the people of Czechoslovakia: "And so the sufferings of the German minority on the northern borders of Czechoslovakia provided the material for a timely crusade of rescue. For a third time, the excuse was adequate, if only just so."

And what gives license to this lordly evaluation of aggression's innumerable excuses? The same "Asiatic threat" that was played on by the Nazis and that is evoked by the new German revisionists: "During the first decade after the postwar treaties the main responsibility for European unrest lay with Russia . . . those who had the misfortune to suffer these events at close quarters developed a tolerance for any party or person

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who, at whatever sacrifice of liberty, offered them security from murder, sacrilege, and rape."

Turning to the Polish question, Lloyd states flatly that the importance of Poland lies in its role as "the natural bastion of the European defense against Oriental incursions." He adds to this the finding that it was the Hitler-Stalin Pact, and not the aggressive nature of fascism itself, that put Hitler beyond the pale. "The conclusion of the German-Soviet pact removed even this faint possibility of an honorable peace." If you wonder in what "this faint possibility" had consisted, Lord Lloyd furnishes the answer that it was "a basis for understanding other nations equally determined not to sacrifice their traditional institutions and habits on the bloodstained altars of the World Revolution." So at long last, and after Dunkirk, in a book replete with admiring remarks about Salazar and Mussolini, the voice of the Tory establishment was heard to say the worst it could say about Adolf Hitler—that after all he was little better than a communist!

From the Downing Street diaries of Sir John Colville and from other assorted biographies and belated releases of documents from the Public Records Office, it has become clear even to many sentimentalists that while the postwar Tory party had extracted the maximum of propaganda from the Churchill myth, the prewar and even the wartime Tories had despised and feared him as a vulgar populist and adventurer. Even on the parliamentary vote which finally removed Chamberlain after the Norway debacle in 1940, a strategic number of Tories voted the appeasement ticket and Labour votes were required to make the transition—an episode brilliantly depicted in Michael Foot and Frank Owen's *Guilty Men.*

By the time the Cold War had ended, the only people still talking about "appeasement" of dictators were those who feared a recrudescence of ethnic fascism in southern Europe. Once again, and most particularly in the case of Serbia, the British Foreign Office described as rash or unfeasible a policy of resistance which it did not wish, in any case, to see implemented. Churchillian rhetoric, good enough for mass

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consumption in cases like the Falklands or Kuwait, was to be reserved for such cases alone. It was a propitious moment in the *Zeitgeist* for the publication of *Churchill: The End of Glory* by the Thatcherite historian John Charmley. Charmley—who by a nice coincidence is the biographer of Lord Lloyd and the holder of a chair at Fulton, Missouri—came right out and said that Churchill had provoked an unnecessary and avoidable war. Its consequences were the awful loss of the British Empire, the aggrandizement of socialism, and the diminution of British independence. Having myself written an account of Churchill's wartime duel with Roosevelt over the U.S. bid to replace British imperialism, I could vouch for the accuracy of only some of Charmley's narrative. The rest was almost enough to make me sympathetic to that old ruling-class delinquent. Above all, though, it was fascinating to see what the British right really thought of Britain's "finest hour" once its imagery was of no further use to them. The accomplishment of Leibovitz is to remind us of how very nearly not just the historical argument but the battle and the war itself came to being decided the other way.

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CHURCHILL: MYTH AND IMPERIALIST HISTORY

by JOHN NEWSINGER

Winston Churchill is by common assent in the Anglo-American world one of the great figures of the twentieth century. He was one of the first to warn about the threat to Western civilization posed by the Russian Revolution, one of the first to warn about Hitler's imperial ambitions, and, of course, was one of the first to warn of the Iron Curtain that was to divide Europe in the aftermath of the Second World War. He singlehandedly kept Britain in that war after the defeat of France in 1940, sustaining the British people through the blitz with his powerful rhetoric, holding on against all the odds until the United States came to rescue, thereby establishing a "special relationship" between the old empire and the new.

Such is the myth, a myth which Churchill himself quite self-consciously helped create through his speeches and his writing, and which a host of admirers has since helped maintain. A recent collection of essays on Churchill's life by a number of eminent historians provides an excellent example of his apologists at work. Here we learn that one of Churchill's enduring

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This is a book review of Clive Ponting's, *Churchill* (London: Sinclair Stevenson, 1994). John Newsinger teaches at Wreake Valley College in Leicestershire, England. He is the author of "Counterrevolution: The Malayan Example," which appeared in the February 1994 issue of *Monthly Review*.

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principles was his "sympathy for working people," that he was "neither a racist nor an imperialist," and that he had "saved the country and, arguably, civilization itself in 1940."[1]

Clive Ponting's new biography effectively demolishes the Churchill myth and reveals instead the reactionary, the bigot, the racist, the imperialist, the class warrior, the aristocrat whose only real concern in politics was to ensure himself a place in history. For Churchill, the British people, the subject peoples of the British Empire, and the rest of the world's population were just so many pawns in his lifelong quest for glory. He always aspired to martial glory, to the actual command of men in great battles, but instead was forced reluctantly to settle for the world of politics. This was to provide him with ample scope for his ambitions. When the First World War broke out in August 1914, Churchill was the only member of the Liberal government to greet the news with enthusiasm, to positively relish the prospect of conflict and bloodshed.

Clive Ponting is a former British civil servant turned historian. When employed at the Ministry of Defense, he leaked secret documents to Labour MP Tam Dalyell, that proved that the Thatcher government's account of the Belgrano affair during the Falklands war was a lie. The government attempted to have him imprisoned, but at his Old Bailey trial, he was triumphantly acquitted. Now he lectures in history at the University of Wales in Swansea. His Churchill biography has inevitably attracted a storm of abuse. Even Richard Gott, the literary editor of the liberal *Guardian* newspaper, denounced the book as "an unsavory polemic" that should "neither have been written nor published."[2] More ominously, his life has been threatened since publication.[3] Clearly, the Churchill myth is still potent.

Churchill as Liberal

Churchill, the son of a leading Conservative politician, Lord Randolph Churchill (who died of syphilis), and of a wealthy U.S. mother, was brought up in an aristocratic social

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milieu inhabited by men who expected to rule Britain and its empire by right of birth. Although only a member of the cadet line of the Churchill dynasty, he was always to regret the passing of aristocratic power and influence in modern Britain. Nevertheless, he set out to make his own way in the world with a little help from his powerful connections. He hoped to establish a reputation by means of imperial adventures in India with the Malakand Field Force, in the Sudan at the Omdurman massacre, and in South Africa, where he ensured his entry into politics by escaping from the Boers. He entered the British House of Commons as a Conservative in 1901, but defected to the Liberals, just in time for their landslide general election victory of January 1906. Churchill embraced the cause of social reform, but as Ponting shows, his was very much a Bismarckian reformism that was concerned to preserve and strengthen the established order rather than to change it. For Churchill, the purpose of reform was to head off the challenge posed by the infant Labour Party and to make the country more efficient, better able to compete with its imperial rivals, in particular, Germany.

When he became Home Secretary in 1910 the reactionary side to his Liberalism came to the fore. He enthusiastically entered into the role of strikebreaker, sending troops and police into South Wales to confront striking miners and into Liverpool to confront striking transport workers. He also made clear at this time his views on the threat that "the feeble-minded" posed to the health and security of the British race, advocating the compulsory sterilization of up to 100,000 "mental degenerates."

For Churchill the great opportunity for glory came in August 1914 with the outbreak of war with Germany. This was what he had been born for. Convinced of his own military genius, Churchill became one of the chief advocates of the Gallipoli campaign, an attempt to force Turkey out of the war by seizing control of the Dardanelles. This proved to be a disaster that cost the lives of tens of thousands of men. More

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importantly for Churchill, the defeat forced his resignation, and nearly ended his political career.

His ability to recover from this setback, the first of many in his long career, was quite remarkable. He used his oratorical skills to make sure that it was more comfortable for governments to have him inside rather than working against them from outside. He returned to Lloyd George's coalition government in mid-1917, but was kept out of the War Cabinet by colleagues who did not share his belief in his military genius.

Churchill as Reactionary

Once the war over, he was finally allowed to move to the War Office. Here he was to play a significant part in Britain's counter-revolutionary efforts in Ireland and Iraq, and most importantly in Russia. In Ireland, it was Churchill who was responsible for the creation of the Black and Tans. He strongly supported the British policy of reprisals, both official and unofficial and, as Ponting makes clear, condoned the activities of British murder squads. In Iraq, he urged the use of poison gas against the Arab rebels and as late as 1927 he was to congratulate the then Minister for War for sending gas weapons to Shanghai ready for use against the seditious Chinese. Most important, however, was his enthusiastic support for full-scale military intervention in Russia and for the provision of assistance (advisers, munitions, and funds) for the various White armies. While the British government's official policy was to contain the Bolsheviks, Churchill willfully pursued his own agenda of active counter-revolution. He did his best to embroil Britain in an all-out war with Russia without any regard for the domestic consequences of such an adventure. There is no doubt that, although in the end unsuccessful, his efforts prolonged the civil war, cost countless lives, and helped leave Russia devastated.

Interestingly, at the time Churchill believed that Communism and the Russian Revolution were of Jewish inspira-

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tion, even giving credence (as did the London *Times*) to the Protocols of Zion forgery. While Churchill was bitterly hostile to revolutionary Jews, however, he was at the same time a staunch supporter of Zionism, which he regarded as a valuable client and ally of British imperialism in the Middle East.[4]

Churchill's hostility toward Communism was such that he welcomed Mussolini's seizure of power in Italy, flirted with the German far right in the 1920s, initially expressed admiration for Hitler's regime, and supported Franco. Right-wing dictatorships were perfectly acceptable as a bulwark against the left on the continent, but he never believed that such methods would be necessary in Britain.

With the Liberal Party in terminal decline, Churchill rejoined the Conservative Party. He served as Chancellor of the Exchequer in the 1920s, taking Britain back onto the gold standard, a measure that seriously weakened British industry, and carrying through a policy of drastic cuts in military expenditure. He was to conveniently forget this policy when he later allocated blame for British appeasement of Nazi Germany. Most significant, however, was his urging that the 1926 General Strike and Miners Lockout should be used as an opportunity to decisively crush the British trade union movement. His excessive eagerness for confrontation was a positive embarrassment to a Conservative government that was hardly sympathetic to the working class.

With the fall of the Conservative government in 1929, Churchill's career seemed to have come to an end. Already fifty-five years of age, he increasingly became the spokesman for the most reactionary elements within the Conservative Party, engaged in a bitter conflict with the more middle of the road leadership of Stanley Baldwin. The most important issue in this conflict was the attempt to introduce limited political reforms in India begun by the Labour government and continued after 1931 by the Conservative-dominated National government. Churchill led the reactionary opposition to this reform strategy, unsuccessfully attempting to overthrow Baldwin and suffering political eclipse and isolation as a result.

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Churchill as Savior

Only with the approach of the Second World War did his political fortunes begin to revive. His hostility to Hitler was not caused by any great objection to the way the Nazis ran Germany, but rather by the threat that a rearmed Germany posed to the British Empire. Nevertheless, he did call for Britain to make ready to resist Nazi ambitions of European domination. It is now clear, however, that the Chamberlain government actually undertook to rearm as fast as seemed economically advisable at the time. Chamberlain's policy of appeasing Hitler was based on the belief that he could be unleashed against the Soviet Union or bought off at the expense of the new central European states and would leave the British Empire alone if it was armed and ready to fight. The only realistic alternative to such a policy was an alliance with the Soviet Union, a policy that Churchill very reluctantly came to endorse but never made central to his criticisms of government policy. In the event, Hitler's challenge to the European status quo was too much, appeasement was discredited, and war broke out in September 1939. British and French hostility to a Russian alliance had by this time allowed Hitler to conclude his own "unholy alliance" with Stalin.

With the outbreak of war, Churchill tamely joined Chamberlain's government and wholeheartedly endorsed its military strategy, including its preparations for attacking the Soviet Union. Only French defeat in the spring of 1940 prevented British air raids on the Russian oil fields!

Quite incredibly, the episode that was to bring Chamberlain down and install Churchill in power as Prime Minister was a military adventure for which he was responsible, a miniature version of Gallipoli, the disastrous Anglo-French expedition to Norway. It was this defeat for which he was primarily to blame that brought him to power in 1940 at age sixty-six.

Churchill's reputation rests almost entirely on his performance as wartime Prime Minister from 1940 until 1945, on

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the claim that he "saved civilization." Before this apotheosis he was best known as a political turncoat and reactionary. What happened to change all this? The crucial point Ponting makes is the extent to which Churchill was personally responsible for creating the conventional Anglo-American view of the conflict. His massive six-volume history of the war seriously distorted subsequent understanding of the struggle. While the Nazis had overrun Europe, Britain led by Churchill remained alone, upholding the cause of freedom until the United States came to the rescue. Of course, the reality was somewhat different. Britain was still a great empire, holding down its subject peoples by force or the threat of force. The decision to continue to fight in 1940 was taken not in defense of an abstract notion of freedom but because it was thought that this was the best way to safeguard British national interests and the empire. There were two views in Churchill's Cabinet: on the one hand, those who believed that better terms could be negotiated with Hitler once it was shown that an invasion of Britain was not a valid option; on the other, those who like Churchill himself believed U.S. intervention inevitable. Churchill carried the day, although U.S. involvement took longer than he expected. The fact that the Soviet Union was to play the major part in Hitler's defeat is not part of the Churchill myth and is still not acknowledged in most Anglo-American accounts of the war.

Even before the war was over, Churchill had launched one of the first episodes in the Cold War: British military intervention against the Communist-led national liberation movement in Greece. December 1944 saw British troops fighting against the Greek resistance on the streets of Athens in order to restore an unpopular monarch to power.[5]

After his defeat in the 1945 general election, Churchill was forced to watch the disintegration of his beloved empire. He was bitterly opposed to Indian independence, although even his own supporters recognized that it was unavoidable. While the Labour government, in particular Foreign Secre-

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tary Ernest Bevin, bears considerable responsibility for the onset of the Cold War, Churchill urged them on from opposition.

His own return to power in 1951, now aged seventy-seven, saw a tired old man acting as a figurehead, clinging to the trappings of office that he could no longer exercise. He still did his best to sabotage his own government's policy of withdrawal from Egypt, hoping to provoke a military confrontation and making clear his racist contempt for the Egyptian people. More recently, right-wing British historians and commentators, inspired by the Thatcher government, have criticized him for not breaking the power of the trade unions, dismantling the welfare state, and privatizing the economy. Such policies in the 1950s would have meant electoral extinction.[6]

Churchill and Liberty

Was there any consistent principle underlying Churchill's varied career? Churchill's official biographer, Martin Gilbert, quotes a senior civil servant, Eric Seal, who claims that there was:

> [T]he key word in any understanding of Winston Churchill is the simple word "Liberty." Throughout his life, through many changes and vicissitudes, Winston Churchill stood for liberty. He intensely disliked, and reacted violently against all attempts to regiment and dictate opinion. In this attitude, he was consistent throughout his political life. He believed profoundly in the freedom of the spirit, and the liberty of man to work out his own salvation, and to be himself in his own way. . . . In the last resort, this was the mainspring of his action.[7]

Of course, liberty has many meanings. For Churchill it meant the liberty of the British ruling class to govern Britain and its empire and to enjoy the privileged and luxurious life to which their wealth and position entitled them. He was bitterly opposed to all and any attempts to interfere with this "liberty." For the working class, it meant the liberty to know their place, to accept their subordination, and to be grateful for whatever reforms their rulers deemed appropriate or necessary for their well-being. Their glory was to serve as

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cannon fodder in the great wars of empire. For the subject peoples of the British Empire, liberty was to be ruled by the British ruling class, an enlightened elite that rejected the barbaric methods of Nazism, but could nevertheless when occasion demanded crush resistance with bloody ruthlessness. Most important, however, as Ponting successfully establishes, liberty, for Churchill, meant his own pursuit of personal glory. Clive Ponting's view of the man is the necessary starting point for any future consideration of Churchill's life and politics.

NOTES

1. Robert Blake and William Roger Louis, eds., *Churchill* (New York, 1993), pp. 128, 183, 375.
2. *Guardian*, 4 May 1994.
3. *Times Higher Education Supplement*, 8 July 1994.
4. Sharman Kadish, *Bolsheviks and British Jews* (London: 1992), pp. 135-38.
5. See Thanasis D. Stikas, "The People at the Top Can Do These Things Which Others Can't Do: Winston Churchill and the Greeks 1940-1945," *Journal of Contemporary History*, April 1991.
6. See Andrew Roberts, *Eminent Churchillians* (London: 1994), pp. 243-285, and Patrick Cosgrave, *The Strange Death of Socialist Britain* (London: 1992), pp. 41-59.
7. Martin Gilbert, *Churchill's Political Philosophy* (London: 1981), p. 110. Gilbert is the author of six of the eight volumes of Churchill's official biography, published together with numerous companion volumes of letters and documents.

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(Continued from inside front cover)

Successful political rule in a class society is far from being guaranteed. It involves on the part of the ruling class not only effective protection for its own power but also an understanding of the design of the system as a whole and action to see that the essential parts are maintained in working order and able to perform their respective functions. If a ruling class acquires a monopoly of power and used it exclusively for its own advantage, the result will be certain disaster. The historical record is replete with such tragedies. What is required for successful political rule, therefore, is either wisdom and self-restraint or counter-pressure from a non-ruling but potentially powerful class or alliance of classes. Whatever may have been true of earlier times, it is pretty clear that no modern capitalist ruling class has ever been blessed with wisdom or self-restraint, from which it follows that such successes as may have been achieved in the way of political rule are the result of effective counter-pressure from other classes.

Many examples, we believe, could be cited in support of this conclusion. One of the best and probably the most famous is the story as told by Marx in Volume 1 of *Capital* of how bourgeois governments in England, protesting and screaming all the way, finally came during a centuries-long struggle to accept the necessity of a comprehensive regime of labor legislation (prohibition of child labor, conditions of work, length of the working day, etc.). Similar stories could be, indeed have been, told about most of the other developed capitalist countries, including the United States. As for the underdeveloped capitalist countries of the world, most of them, sadly, have little or nothing in the way of successful political rule to boast of.

What has all this, you may ask, to do with our opening quotation from Engels? His contention, you will recall, was that there is a point in the development of capitalist power after which its capacity for political rule declines. Our contention is that history has proved him absolutely right.

The last two decades have seen an unprecedented increase in the amount and power of capital on a global scale. Common sense tells us that capital has never been in a better position to rule politically, i.e., to do the things that need to be done for society to function reasonably effectively and with a minimum of destructive conflict and disturbance. In reality, of course, nothing of the kind has happened. Instead, capital has used its power exclusively in its own interest, and in so doing has set the world on the road to the disaster history should have taught us to expect.

What should we learn from this experience? First and foremost, that as the second millennium and the twentieth century draw to a close, capital has totally lost its capacity for political rule. Now more than ever what is needed is organized, militant struggle to check and reverse capital's onslaught on the earning power and living standards of the world's working and oppressed classes and on the natural environment that is the indispensable foundation for civilized life on an already endangered planet. And the final lesson surely is that success in this struggle must eventually lead to the definitive overthrow of the rule of capital.

Edward S. Herman has called our attention to a typo in his piece "Broadcasting Control Versus Democracy" in the October issue of *MR*. On page sixty, FRC in the first main paragraph should be read as FCC (Federal Communications Commission). The FRC died in 1934 and was replaced by the FCC in that same year.

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